

DIRECT TESTIMONY OF RHONDA Y. MEYER

ON BEHALF OF AMERITECH ILLINOIS

ILLINOIS
COMMERCE COMMISSION
MAR 26 10 58 AM '00
CHIEF CLERK'S OFFICE

I. INTRODUCTION

**Q. PLEASE STATE YOUR NAME, TITLE, ADDRESS AND DESCRIBE YOUR
OCCUPATION AND ACADEMIC BACKGROUND.**

A. My name is Rhonda Y. Meyer. I am an Area Manager – Regulatory Support in the Wholesale Marketing organization in Southwestern Bell Telephone Company ("SWBT"). My business address is 311 S. Akard, Dallas, Texas 75202. I have worked for SWBT for over 23 years and held positions in accounting, network engineering, network operations and network administration. In my current assignment, I have responsibilities for regulatory support of wholesale marketing for Pacific Bell, Nevada Bell, Ameritech and SWBT. I have a bachelor's degree in accounting from Stephen F. Austin State University.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to support Ameritech Illinois' proposed pricing for the high frequency portion of the loop ("HFPL") and other associated line sharing rate elements. I will also address other issues that were raised by Rhythms and Covad in this docket. In particular, I will address the following Issues:

Issue 6: What are the appropriate recurring and non-recurring charges for all elements of the line sharing UNE?

Issue 11: Should Ameritech Illinois pay for the cable that carries voice traffic from the CLEC's splitter back to Ameritech Illinois' main distribution frame (MDF)?

1 Issue 12: What if any charges for OSS upgrades should CLECs pay to ILECs to
2 accommodate line sharing?

3 Issue 13: Should Ameritech Illinois be allowed to charge for de-conditioning (or
4 sometimes referred to as "conditioning") a loop to provide line sharing
5 and, if so, what should that charge be?

6 Issue 14: Should CLECs pay for Ameritech Illinois to determine whether a loop
7 desired for line sharing is capable of providing DSL and, if so, what
8 should that charge be?

9
10 **II. AMERITECH ILLINOIS' PROPOSED AGREEMENT**

11
12 **Q. WHAT APPROACH SHOULD THE COMMISSION TAKE IN ADOPTING**
13 **PRICES?**

14 A. The Commission should bear in mind that there are many significant public policy
15 considerations related to the pricing for line sharing. First, prices must be set in a way
16 that is competitively neutral. Neither CLECs nor Ameritech Illinois' data affiliate should
17 have a competitive advantage in the market by virtue of the price Ameritech Illinois
18 charges for the HFPL. Second, the price Ameritech Illinois charges for the HFPL must,
19 according to the 1996 Act, allow Ameritech Illinois to recover its cost, plus a reasonable
20 profit. Third, the price for the HFPL must be fair to Ameritech Illinois, whose
21 discretionary investments and labor costs are being financed by competitively secured
22 equity and debt funding. It must also not distort make-buy decisions for either CLECs or
23 Ameritech Illinois. Prices set too low could create the double harm of (1) discouraging
24 CLECs from constructing or purchasing alternative facilities by giving them a "free ride"
25 on Ameritech Illinois' facilities, and (2) discouraging investment by Ameritech Illinois.

26 **ISSUE 6:**

27 **Q. WHAT COST-BASED ELEMENTS ASSOCIATED WITH LINE SHARING ARE**
28 **PROPOSED BY AMERITECH ILLINOIS?**

29 A. Ameritech Illinois is offering the following cost-based rates associated with line sharing:

- 30 1) The recurring charges for the High Frequency Portion of the Loop;

Area C (Rural) \$5.70

Area B (Suburban) \$3.54

Area A (Metro) \$1.30

2) Recurring charges for cross connects required to provision line sharing:
\$0.56

3) The recurring charges for a splitter port when owned by Ameritech.
\$1.09

4) The recurring Operations Support Systems ("OSS") costs specifically
caused by line sharing.
\$0.87

5) The one-time, non-recurring charge for cross connects is: \$140.53.

A. PRICE FOR HFPL:

**Q. PLEASE DESCRIBE AMERITECH ILLINOIS' PROPOSAL FOR PRICING THE
HIGH FREQUENCY PORTION OF THE LOOP.**

A. Ameritech Illinois is proposing that the monthly rate for utilizing the HFPL in a line sharing arrangement be 50% of the Commission approved monthly recurring unbundled loop rate. Hence, the monthly rate ranges from \$1.30 to \$5.70 depending on the access area. This is a reasonable approach to setting the price for this new unbundled element.

**Q. WHY SHOULD AMERITECH ILLINOIS' PRICE BE ADOPTED INSTEAD OF
THE CLECS' REQUESTED "ZERO" PRICE?**

A. Charging 50% of the recurring unbundled loop rate for the HFPL is reasonable because it would provide a significant discount to the CLEC in comparison to the price of an entire loop. Further, it recognizes that CLECs are receiving dedicated use of the high frequency portion of the loop. Moreover, it is patently unreasonable to require a company to sell any product or service at a zero price. Adopting the CLECs' position would be tantamount to requiring Ameritech Illinois to "give away" the HFPL product.

1 Additionally, Ameritech Illinois' proposed recurring price of \$1.30-\$5.70 per month
2 would encourage CLECs to enter the residential market. In addition to building their
3 own facilities or purchasing them from a company other than Ameritech Illinois, CLECs,
4 including Rhythms and Covad, can purchase an entire loop from Ameritech Illinois or
5 line share with Ameritech Illinois to provide xDSL service. Before line sharing was
6 available, CLECs wishing to use Ameritech Illinois' facilities to provide xDSL had to
7 purchase an entire loop from Ameritech Illinois for \$2.59 to \$11.40. With line sharing
8 under Ameritech Illinois' proposal, CLECs can purchase just the high frequency portion
9 of that loop at a substantial discount – 50 percent off the current loop price – down to
10 \$1.30 to \$5.70. This will provide a significant incentive for CLECs to enter the
11 residential market and offer attractive prices.

12
13 Ameritech Illinois' proposed rate is also consistent with the rate agreed to by Covad with
14 other ILECs. It is my understanding that Covad reached a voluntary interim agreement
15 with BellSouth that provides for a \$6.00 interim rate for a line shared loop in all Bell
16 South states. Further, it is reported that Covad also reached a voluntarily agreement with
17 U. S. West in which Covad may choose an interim monthly rate of either \$5.40 or choose
18 a temporary zero rate until January 1, 2001 with the rate rising to \$8.25 per month
19 afterwards. These other agreements also demonstrate the reasonableness of Ameritech
20 Illinois' proposed rate.

21 **Q. HAS THE FCC COMMENTED ON THE ISSUE OF THE APPROPRIATE RATE**
22 **FOR THE HFPL?**

1 A. Yes. As the FCC explained in its analysis in the *Line Sharing Order*,¹ when a single
2 loop facility is used to provide both Ameritech Illinois voice service and CLEC advanced
3 services on the HFPL, the loop becomes a cost that is shared by those two uses. Because
4 one loop is shared between providers and services, there is no economically unique way
5 to establish the loop cost that each service causes. Rather, use of the FCC's prescribed
6 TELRIC methodology only allows establishment of the cost of the shared facility, i.e.,
7 the loop. Since cost causation can not be established between the HFPL and the voice
8 portion of the loop, pricing of the two uses necessarily requires an allocation of the
9 shared loop cost.²

10 **Q. RHYTHMS AND COVAD, HOWEVER, ARGUE THAT THE FCC'S LINE**
11 **SHARING ORDER MANDATES A ZERO PRICE FOR THE HFPL. HOW DO**
12 **YOU RESPOND?**

13 A. This simply is not true. The FCC has not mandated a \$0.00 price for the high frequency
14 portion of the loop.

15 Rhythms and Covad refer to ¶ 41 of the Line Sharing Order as support for its position.

16 This portion of the order, however, does not mandate a zero loop price. Rather, this
17 paragraph says that,

18 The record indicates that incumbent LECs generally allocate virtually all loop
19 costs to their voice service, they deploy a voice-compatible xDSL service such as
20 ADSL on the same loop, allocating little or no incremental loop costs to the new
21 resulting service.

¹ *In the Matters of Deployment of Wireline Services Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996; Third Report And Order And Fourth Report And Order*; Adopted: November 18, 1999, Released: December 9, 1999, CC Docket No. 98-147 and CC Docket No. 96-98 ("*Line Sharing Order*").

² *Id.* at ¶ 138.

1 Clearly, paragraph 41 is not the mandatory section that Rhythms and Covad would like it
2 to be.

3
4 Rhythms and Covad also refer to the following FCC statement in paragraph 139 of the
5 First Report and Order to support their demand for a \$0.00 charge for the HFPL: “states
6 may require that incumbent LECs charge no more to competitive LECs for access to
7 shared local loops than the amount of loop costs the incumbent LEC allocated to ADSL
8 services when it established its interstate retail rates for those services.” Line Sharing
9 Order, ¶ 139.

10
11 The CLECs’ reliance on this language is misplaced, for at least two reasons. First, the
12 FCC’s language is permissive, not mandatory; it states what the Commission may do, not
13 what it must do. But more importantly, Rhythms and Covad miss the point of the FCC’s
14 statement. The point is that whatever price is chosen for the HFPL, it should not place
15 CLECs at a disadvantage compared to an ILEC’s offering of DSL services. This intent is
16 clear from the FCC’s discussion. The FCC stated that its suggested approach “was
17 recently approved by the Minnesota PUC,” which held that it was
18 not presently concerned with how [US West] resolves the pricing issue, so long as
19 the Company charges data CLECs the same loop rate that the Company presently
20 imputes to its own DSL services.

21
22 In other words, the loop cost incurred by the CLEC should be the same as that used for an
23 incumbent’s retail offering of ADSL, so the CLEC will not be at a disadvantage when it
24 prices its DSL services to customers. Indeed, the Minnesota PUC adopted a stipulation

1 among US West and various CLECs, including Rhythms, Covad, and other CLECs,
2 which established a \$6.05 recurring charge for the shared loop that would apply to
3 CLECs and US West alike, a price higher than the price Ameritech Illinois is proposing
4 here.

5
6 The crucial point for purposes of this proceeding is that Ameritech Illinois is not
7 providing retail DSL service to end users. Retail DSL service is provided by a separate
8 advanced services affiliate. Thus, as applied to this case, the FCC's pricing suggestion in
9 paragraph 139 means that the price CLECs pay for the HFPL should be the same as the
10 price Ameritech Illinois' affiliate pays for HFPL. This is exactly what will happen under
11 Ameritech Illinois' proposal; Ameritech Illinois' affiliate and other CLECs would all pay
12 \$1.30 to \$5.70 per month for using the HFPL.

13
14 In the Order approving the FCC merger, the FCC recognized that the affiliate would
15 receive facilities at the same price as other CLECs. It stated:

16
17 These safeguards are intended to ensure that an affiliate will not derive unfair
18 advantages from the incumbent. The SBC/Ameritech advanced services affiliate
19 must, for example, obtain facilities necessary for the provision of advanced
20 services, such as local loops and collocation space, at the same rates and using the
21 same operations support systems interfaces and procedures that are available to
22 other competitive LECs. This gives the SBC/Ameritech incumbent strong
23 incentive to provide the necessary inputs in an efficient, cost-effective manner

1 that will benefit all providers of advanced services and, ultimately, the public at
2 large.³
3

4 Rhythms and Covad do not mention these findings by the FCC when they argue for a
5 \$0.00 price for the HFPL.
6

7 Additionally, in the FCC's SBC/Ameritech merger conditions, the FCC acknowledged
8 that if an SBC ILEC charged unaffiliated CLECs the same amount for a loop as it
9 charged its affiliated CLEC, pro-competitive pricing for ADSL would result. The FCC
10 addressed the issue in the context of how to provide the equivalent of line sharing to
11 unaffiliated CLECs, since actual line sharing was not previously available to CLECs.
12 The FCC created a solution by establishing a surrogate line sharing discount – 50 percent
13 off the recurring and non-recurring price of the loop – which enables CLECs to obtain an
14 entire loop from a SBC ILEC to use only to provide advanced services to a customer
15 receiving voice grade service from an SBC/Ameritech incumbent LEC. The FCC
16 referred to this as “the economic equivalent of line sharing.” Therefore, Ameritech
17 Illinois proposes a similar pricing structure for its launching of the line shared product.
18

19 This is the same price Ameritech Illinois is proposing for line sharing in this arbitration.
20 The FCC found that such a price would “spur deployment of advanced services by
21 SBC/Ameritech, as well as other carriers, while ensuring that these other carriers receive

³ Applications of Ameritech Corp. and SBC Communications, Inc., 14 FCC Rcd 14712,
¶ 467 (rel. Oct. 8, 1999) (“FCC Merger Order”) (emphasis added).

1 treatment from an SBC/Ameritech incumbent LEC comparable to that provided to the
2 SBC/Ameritech separate affiliate.” This price will produce the same result in Illinois.
3

4 **Q. RHYTHMS AND COVAD ARGUE THAT THERE IS NO INCREMENTAL COST**
5 **FOR THE LOOP WHEN DSL IS ADDED TO A LOOP ALREADY CARRYING**
6 **ANALOG VOICE TRAFFIC AND, THEREFORE A ZERO LOOP RATE IS**
7 **APPROPRIATE. (Covad Ex. 1.0 at 18 (Moya); Rhythms/Covad Ex. 1.0 at 18**
8 **(Murray)) HOW DO YOU RESPOND?**
9

10 **A.** As explained above, a zero loop rate is not reasonable. This ignores the fact that the loop
11 cost for local exchange service is caused by that service alone, is now caused by two
12 uses, the voice service and the HFPL data services. The loop cost, which is caused by
13 these two uses, must be recovered from these two uses. Stated another way, the loop cost
14 is a direct cost to reach the customer’s premises, but cannot be directly attributed to the
15 services that use the loop, here the voice service and the HFPL. Because of this, the loop
16 is a cost shared by the voice service and the HFPL.
17

18 The FCC has previously established pricing rules for assigning cost which are not
19 directly caused by a particular network element. In essence, the FCC has required the
20 states to allocate joint and common costs across the uses of the items that make-up those
21 costs. It is entirely consistent with these rules to allocate loop costs equally between the
22 ILEC’s voice service and the HFPL UNE.⁴

23 **Q. HOW DO YOU RESPOND TO RHYTHMS AND COVAD ARGUMENT THAT A**
24 **NON-ZERO LOOP RATE IS DISCRIMINATORY?**

⁴ 51.505 (b) Appendix B of the First Report and Order.

1 A. This makes no sense. Ameritech Illinois proposed rate for the HFPL is not discriminatory
2 since it would apply equally to all purchasers of the HFPL including Ameritech Illinois'
3 data affiliate. All data CLECs will have the same opportunity to compete since each will
4 incur the same price for the HFPL which is an input to their retail service.

5 **Q. RHYTHMS AND COVAD ARGUE THAT, EVEN IF AMERITECH ILLINOIS**
6 **WERE TO CHARGE THE SAME PRICE TO BOTH ITS AFFILIATE AND**
7 **UNAFFILIATED DSL PROVIDERS, A NON-ZERO LOOP PRICE WOULD**
8 **LEAD TO WINDFALL PROFITS. HOW DO YOU RESPOND?**

9 A. First, being allowed a price that contributes to joint and common costs does not translate
10 into a "windfall". Instead it is the only reasonable approach. Otherwise, Ameritech
11 Illinois would be providing a service to the CLEC for free, a result that is wholly
12 inconsistent with normal business practices. The California Commission appropriately
13 reached this same conclusion. Second, their analysis assumes that voice service has been
14 priced based on the same cost/pricing methodology as UNEs. This has not been the case.
15 Third, the price of voice service is not a part of this case and it is not appropriate to be
16 considering the pricing of voice service. Here the issue is to establish a just and
17 reasonable price, based on cost and including a reasonable profit for the HFPL. As we
18 have shown above, the price should be 50% of the cost of the unbundled loop.

19 In short, Rhythms' and Covad's position fails to allow Ameritech Illinois to recover its
20 cost, plus a reasonable profit as provided by the 1996 Act. More importantly, as alluded
21 to above setting the price for the HFPL at zero would discourage Rhythms, Covad, and
22 other CLECs from constructing or purchasing alternative facilities by giving them a "free
23 ride" on Ameritech Illinois' facilities. A zero price could also discourage Ameritech

1 Illinois from investing in facilities in which it might invest with a reasonable price of the
2 HFPL.

3
4 **Q. RHYTHMS AND COVAD ALSO ARGUE THAT A NON-ZERO PRICE FOR**
5 **THE HFPL WOULD RESULT IN A HIGHER THAN NECESSARY PRICE FOR**
6 **RETAIL DSL SERVICE. HOW DO YOU RESPOND?**

7 A. This amounts to effectively arguing for a subsidy for Rhythms and Covad from the
8 ILECs voice services. Although a zero price for the HFPL could result in lower prices
9 being charged by Rhythms' and Covad's to its retail customers, this lower price would be
10 anticompetitive. Indeed, a zero price for the HFPL would not be competitively neutral
11 as it would allow Rhythms and Covad to essentially get the loop for free and pass that
12 savings on to its customers. In essence, Ameritech Illinois would be paying for Rhythms'
13 and Covad's customers' DSL service. This gives Rhythms and Covad an unfair
14 competitive advantage with respect to offering DSL service that this Commission cannot
15 condone.

16 **Q. HAVE OTHER STATES RECENTLY ADDRESSED THE ISSUE OF THE PRICE**
17 **TO BE PAID BY CLECS FOR THE HFPL?**

18 A. Yes. This same issue was addressed in a recent arbitration in California related to line
19 sharing between SBC's subsidiary Pacific Bell and a number of CLECs. It is my
20 understanding that the CLECs involved in this proceeding also participated in the
21 California proceeding. In the Draft Arbitrator's Report, issued May 8, 2000,⁵ the

⁵ *Rulemaking on the Commission's Own Motion to Govern Open Access to Bottleneck Services and Establish a Framework for Network Architecture Development of Dominant Carrier Networks, Rulemaking 93-04-003 and Investigation on the Commission's Own Motion Into Open Access and Network Architecture Development of Dominant carrier Networks, Investigation 93-04-002.*

1 Arbitrator adopted Pacific's requested rate of 50% of the cost of the entire unbundled
2 loop. The Report stated at page 57:

3 Considering all factors, the rate of \$5.85 per month is adopted for Pacific.
4 This rate is 50% of the cost of an entire Pacific unbundled loop purchased
5 by a CLC. This is a substantial discount from the full unbundled loop
6 price. It makes a reasonable contribution to common costs, cost of capital,
7 and economic depreciation. It provides a substantial incentive for the
8 CLCs to enter the residential market by line sharing compared to
9 purchasing an unbundled loop.

10 Ameritech Illinois agrees with this reasoning and believes the Commission would be
11 prudent in adopting Ameritech Illinois' proposed rate.

12 **Q. DO YOU AGREE WITH RHYTHMS' AND COVAD'S CONTENTION THAT,**
13 **FOR FIBER-FED LOOPS, IT SHOULD ALSO OBTAIN THE HFPL AT NO**
14 **CHARGE?**

15 **A.** No. First, as explained above, a zero charge is inappropriate. Moreover, as described in
16 more detail by Betty Schlackman, by definition, line sharing can occur only on copper
17 wires. When the FCC required line sharing for loops served by DLC systems, it requires
18 an ILEC to provide the CLEC with access to the copper portion of the loop at the RT, so
19 that the CLEC could share the copper line between the RT and the customer's location.

20 **B. PRICE FOR SPLITTERS**

21 **Q. PLEASE DESCRIBE THE PRICE THAT AMERITECH ILLINOIS IS**
22 **PROPOSING FOR SPLITTERS AND WHY THAT PRICE IS APPROPRIATE.**

23 **A.** Ameritech Illinois is proposing a monthly rate of \$1.09 for the Ameritech Illinois owned
24 splitter. This is cost plus the Commission approved shared and common cost factors.

25 **ISSUE 11:**

26 **Q. IS IT APPROPRIATE FOR THE CLECS TO PAY FOR THE CROSS-**
27 **CONNECTS NECESSARY TO IMPLEMENT LINE SHARING?**

1 A. Yes. Whether the CLEC or Ameritech Illinois owns the splitter, there are cross-connects
2 required to establish line sharing. Because these cross-connects would not be required if
3 the CLEC did not use the HFPL, the CLEC should pay for them. Indeed, the CLECs are
4 the "cost causer." Ameritech Illinois is required to run cross-connects to accommodate
5 the service the CLEC desires to provide. This action requires Ameritech Illinois to incur
6 costs. It is only reasonable that Ameritech Illinois be permitted to charge a rate to
7 recover the costs it incurs as a result of the CLEC requesting line sharing.

8 **Q. WHAT PRICE IS AMERITECH ILLINOIS PROPOSING FOR CROSS**
9 **CONNECTS AND WHY IS THAT PRICE APPROPRIATE?**

10 A. Ameritech Illinois is proposing a \$0.56 monthly rate for each HFPL cross-connected line
11 whether using an ILEC owned or CLEC owned splitter. In addition, there is a one-time
12 non-recurring price of \$140.53 for installation of the line sharing cross-connects. Both of
13 these prices are based on actual costs incurred by Ameritech Illinois.

14 **Q. MS. MURRAY CONTENDS THAT THE MOST EFFICIENT, LOWEST COST**
15 **CONFIGURATION IS WHERE THE SPLITTERS ARE PLACED AT THE MAIN**
16 **DISTRIBUTION FRAME, THEREFORE, THE PRICES FOR CROSS**
17 **CONNECTS SHOULD BE BASED ON THIS CONFIGURATION, REGARDLESS**
18 **OF THE NETWORK CONFIGURATION THAT AMERITECH ILLINOIS**
19 **CHOOSES FOR THE PLACEMENT OF SPLITTERS. HOW DO YOU**
20 **RESPOND? (Rhythms/Covad Ex. 1.0 at 30 (Murray))**

21 A. I disagree.

22 Furthermore, in support of this position. Ms. Murray relies upon ¶ 145 of the Line
23 Sharing Order. Contrary to Ms. Murray's assertion, this paragraph states "we would
24 expect the states to allow the incumbent LEC to adjust the charge for cross connecting
25 the competitive LEC's xDSL equipment to the incumbent LECs' facilities to reflect any

1 cost differences arising from the different location of the splitter, compared to the MDF.”
2 Clearly, the FCC did not intend that the same price would be charged regardless of where
3 the splitter was located.
4

5 **ISSUE 12:**

6 **Q. SHOULD CLECS PAY FOR OSS UPGRADES NECESSARY TO**
7 **ACCOMMODATE LINE SHARING?**
8

9 A. Yes. As explained in the testimony of Ameritech Illinois’ witness Mr. James Smallwood,
10 the FCC recognized that ILECs have a need to recover certain OSS costs. The FCC
11 stated in paragraph 144 of its Line Sharing Order:

12 We find that incumbent LECs should recover in their line sharing charges those
13 reasonable incremental costs of OSS modification that are caused by the
14 obligation to provide line sharing as an unbundled network element.

15 The FCC also clearly approved of Ameritech Illinois and other ILECs recovering these
16 costs through recurring charges. In the FCC’s words:

17 [T]he states may require incumbent LECs in an arbitrated agreement to recover
18 such nonrecurring costs such as these incremental OSS modification costs through
19 recurring charges over a reasonable period of time . . .

20 Line Sharing Order, ¶ 144.
21

22 **Q. PLEASE DESCRIBE THE OSS COSTS AMERITECH ILLINOIS SEEKS TO**
23 **RECOVER?**
24

25 A. Ameritech Illinois is proposing a monthly rate of \$0.87 per line to recover the OSS
26 development costs associated with line sharing. This charge is estimated to last three
27 years, and will only be charged until Ameritech Illinois recovers the costs of its OSS
28 work required to provide the line shared product. It is designed to recover the cost of
29 making changes to OSS necessary to support line sharing.
30

1 **Q. IS THIS PRICE CONSISTENT WITH THE FCC'S LINE SHARING ORDER?**

2
3 Yes. Ameritech Illinois' proposed recurring price for OSS modifications is completely
4 consistent with the FCC's findings. It is based on a quote for one vendor to provide one
5 service: upgrade OSS specifically to accommodate line sharing. In other words, it is a
6 purely incremental cost for line sharing. Additionally, Ameritech Illinois has proposed
7 recovery of this cost over a reasonable period of time--three years. Ameritech Illinois
8 OSS pricing can and should be adopted in this arbitration.

9 **ISSUE 13:**

10 **Q: SHOULD AMERITECH ILLINOIS BE ALLOWED TO CHARGE FOR DE-**
11 **CONDITIONING A LOOP TO PROVIDE LINE SHARING?**

12
13 **A.** Yes. Ameritech Illinois should be allowed to charge for any loop conditioning required
14 to enable line sharing. In order for CLECs to provide xDSL service on a shared line, the
15 line must not have limiting devices, such as local coils, repeaters, or bridge taps. Such
16 devices were often put on lines to improve the quality of the voice signal. If such devices
17 are on a line, Ameritech Illinois must send technicians to physically detach those devices
18 in order for a CLEC to use a high frequency portion of the loop for xDSL services.
19 These are actual costs that Ameritech Illinois incurs to provide line sharing that it would
20 not incur without line sharing. Since the CLEC requesting line sharing is causing the
21 cost, that CLEC should pay the cost.

1 This Commission has considered the issue of whether Ameritech Illinois should be
2 allowed to charge for line conditioning and concluded that such charges were
3 appropriate. The Commission stated:

4 In light of Paragraph 382 of the FCC's First Report and Order, Staff's and
5 Ameritech's arguments concerning loop conditioning must be accepted.
6 Ovation's inability to sufficiently counter Staff's and Ameritech's assertions as
7 well as the FCC's conclusions in Paragraph 382 is notable. . . . Accordingly, no
8 refunds should be made with regard to loop conditioning.

9 McLeodUSA Telecommunications Services, Inc. and Ovation Communications, Inc.
10 d/b/a McLeod USA v. Illinois Bell Telephone Company d/b/a Ameritech Illinois, Illinois
11 Commerce Commission, Docket No. 99-0525 at 25 (Dec. 20, 1999).
12

13 In Paragraph 382 of the First Report and Order, the FCC specifically ruled that requesting
14 carriers must bear the cost of conditioning loops. Indeed, when a carrier requests that an
15 incumbent LEC condition its existing voice-grade loops to carry digital traffic, the
16 requesting carrier must compensate the incumbent LEC.

17 [I]f a competitor seeks to provide a digital loop functionality, such as ADSL, and
18 the loop is not currently conditioned to carry digital signals, but it is technically
19 feasible to condition the facility, the incumbent LEC must condition the loop to
20 permit the transmission of digital signals. ***The requesting carrier would,
21 however, bear the cost of compensating the incumbent LEC for such
22 conditioning.
23

24 First Report and Order, ¶ 382. Moreover, in its Line Sharing Order, the FCC specifically
25 held that ILECs should be able to charge for conditioning. The FCC stated:

[C]onsistent with our conclusion in *the Local Competition Third Report And Order*, we conclude that incumbent LECs should be able to charge for conditioning loops when competitors request the high frequency portion of the loop. The conditioning charges for shared lines, however, should never exceed

the charges incumbent LECs are permitted to recover for similar conditioning on stand-alone loops for xDSL services.⁶

ISSUE 14:

Q. SHOULD RHYTHMS AND COVAD PAY FOR AMERITECH ILLINOIS TO PROVIDE LOOP QUALIFICATION INFORMATION FOR A LINE SHARED LOOP?

- A. Yes. This charge is for the work which must be performed by Ameritech Illinois' engineers to provide the actual loop make-up data to the requesting CLEC. The loop qualification provides the CLEC with information to determine whether a loop is capable of allowing the CLEC to deploy its DSL service over the high frequency portion of the loop. These costs are directly caused by the CLEC's request for the high frequency portion of the loop and, as such, should be directly recovered from the CLEC. This is consistent with the pricing requirements in section 252(d)(1) of the 1996 Act.

III. ADDITIONAL COMMENTS ON RHYTHMS' AND COVAD'S ARGUMENTS:

Q. RHYTHMS AND COVAD ALLEGE THAT ALL OF AMERITECH ILLINOIS' PRICES ARE INFLATED BECAUSE THEY INCLUDE A MARK-UP FOR SHARED COSTS. HOW DO YOU RESPOND?

- A. I disagree. The FCC has consistently required that ILEC services be priced to recover their direct costs along with a reasonable allocation of common costs. Ameritech Illinois has proposed pricing the HFPL at 50% of the cost-based price for the loop such that the HFPL, as one of two uses of the loop, recovers a reasonable share of the shared (common to these two uses) cost. The same can be said for the prices Ameritech Illinois has proposed for the other elements of line sharing. Further, the average shared and common cost loadings applicable to UNEs, interconnection and local transport and termination were established by this Commission in ICC Docket No. 96-0486/0569 (Consol.)

⁶ Line Sharing Order, ¶ 87.

Although line sharing is a new regulatory requirement that has been established subsequent to the ICC's TELRIC ruling, it is illogical to assume, as Ms. Murray apparently has done, that shared as well as common costs are not similarly incurred by Ameritech Illinois in conjunction with making line sharing available for purchase by CLECs. This Commission explicitly recognized that Ameritech Illinois' shared and common cost pools would require further updates when it stated, "Finally , we observe that a number of studies and proceedings aris(ing)(sic) out of this docket are unlikely to have been anticipated by Ameritech Illinois." (February 17 Order at pg. 52) Additional unbundling requirements placed on the ILECs means that the ILECs must hire more Product Mangers, Network Planners, Account Managers, Contract Negotiators, Legal and Regulatory personnel, etc. to handle the additional product planning, network/technical planning, customer servicing, litigation, administrative responsibilities, etc. that are necessary to provide "regulated" products/services at a high quality level. The costs associated with these types of personnel are shared and common costs attributable to UNEs as authorized by this Commission. Ms. Murray's proposal to exclude contribution towards the recovery of Ameritech Illinois' shared costs should be rejected by this Commission as unsupportable. Rather, the average shared and common cost percentages resulting from the extended TELRIC calculations performed by Ameritech Illinois in compliance with this Commission's 2/98 Order in ICC Docket No. 96-0486/0569 (Consol.) should be applicable to all new and restructured unbundled network elements which are created as a result of intervening regulatory activity including the pricing for line sharing network elements.

Q. RHYTHMS AND COVAD ASSERT THAT THE PRICES PROPOSED BY AMERITECH ILLINOIS FOR LINE SHARING RESULT IN A HIGHER PER-LINE COST THAN THAT OF AN UNBUNDLED LOOP. HOW DO YOU RESPOND? (Covad Ex. 1.0 at 18 (Moya))

A. The proposed prices are just and reasonable and based on cost as described above. If Rhythms and Covad finds non-shared loops as a better alternative for them, they can use that option. There may be situations where a separate loop is not available. In those instances, line sharing may be an alternative that Rhythms and Covad will use. In any case, Ameritech Illinois will offer the HFPL as required by the FCC and should be allowed rates for such based on costs, including a reasonable allocation of loop costs.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, at this time.